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Digital Financial Services: A Special Reference to Paytm

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ABSTRACT

India's financial system has experienced significant transformation due to the rapid growth of financial technology (fintech) and digitalization. Among various digital payment platforms, Paytm has emerged as a leading player contributing to financial inclusion and the expansion of cashless transactions. The present study aims to analyze digital financial services with special reference to Paytm in Dharwad City. The research is based on both primary and secondary data sources. Primary data were collected from 70 respondents using a structured questionnaire through an online survey method. The sample size was determined using the Yamane (1967) formula, ensuring statistical validity. A convenience sampling technique was adopted for data collection. Analytical tools such as percentage analysis were used to interpret the data. The findings reveal that while 100% of respondents use digital financial services, platform preference varies significantly, with PhonePe (81.2%) and Google Pay (65.2%) dominating over Paytm (44.9%). The study also finds that security (32.9%), transaction speed (30%), and user-friendliness (25.7%) are the key determinants influencing platform choice. Despite moderate awareness, Paytm usage frequency remains relatively low, with 30.4% of respondents not using it at all, indicating a gap between awareness and actual usage. Additionally, most transactions are low-value (below ₹5,000), reflecting cautious user behaviour. The study concludes that although Paytm has established a strong presence in the digital payment ecosystem, it faces intense competition and challenges in user engagement. Enhancing security perception, improving user experience, and promoting advanced services are essential for strengthening its competitive position.

Key words: Fintech, Cyber Security, Financial Inclusion, Customer Perception.
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INTRODUCTION

Financial services have undergone a profound transformation due to the rapid growth of financial technology (fintech) and digitization. Fintech integrates advanced digital tools and platforms to deliver financial services that are more efficient, secure, and accessible. In developing countries like India, this transformation has significantly contributed to expanding financial inclusion and improving the accessibility of banking services. Digital payment platforms, mobile wallets, and Unified Payments Interface (UPI)-based applications have simplified transactions and reduced dependence on cash. These innovations have enabled individuals and small businesses to participate more actively in the formal financial system. At the same time, fintech has supported economic growth by reducing transaction costs, improving service delivery, and enhancing financial literacy. Among the various fintech platforms, Paytm has played a pioneering role in India's digital payment ecosystem. Developed by Vijay Shekhar Sharma under One97 Communications, Paytm has evolved from a mobile recharge platform into a multi-service financial application offering payments, banking, insurance, and investment services. Despite its early mover advantage, the rapid emergence of competitors such as PhonePe and Google Pay has intensified competition within the digital payments market.

Review of Literature

Across India, numerous researchers have examined digital banking and wallet-based payment services, focusing on aspects such as service availability, accessibility, and efficiency in enabling secure and timely transactions. While these studies provide valuable insights into the functioning of digital financial systems, a critical analysis reveals that most of them are largely descriptive in nature, emphasizing adoption trends rather than examining deeper behavioural and contextual factors influencing usage. For instance, Puneeth and Nethravathi (2021) analyzed the growth trajectory of Paytm and identified key success factors based on secondary data. Although their study highlights the importance of strategic planning in sustaining fintech growth, it does not empirically examine user-level behavioural responses or regional variations in adoption patterns. Similarly, Sanjeev Padashetty et al. (2023) conducted a comparative study of Paytm and PhonePe, focusing on consumer and retailer perceptions. While their findings emphasize the role of service quality in influencing user preferences, the study remains limited to perception analysis and does not explore how socio-economic or demographic variables affect usage behaviour. Further, Bhatia-Kalluri and Caraway (2023) used Paytm as a case study to explain the role of digital intermediary platforms in India's fintech ecosystem. Their work contributes to conceptual understanding but lacks primary data-based empirical validation, particularly at the micro or city level. Mulla (2021), in a study conducted in Bagalkot City, examined customer satisfaction and trust in cashless transactions. The findings indicate a mixed attitude, where respondents recognize the broader economic benefits of a cashless system but remain hesitant in actual usage. However, the study does not specifically analyze platform-based services such as Paytm or compare them with other digital payment applications. Saxena and Goyal (2024) explored Payment Banks in India with reference to Paytm using secondary data. Their study identifies relationships between demographic variables and usage preferences. However, the findings are generalized and do

not provide location-specific insights or detailed behavioural analysis of users in real-time digital payment environments.

Problem Statement

Although digital financial services have achieved widespread adoption, there exists a gap between awareness and actual usage of specific platforms such as Paytm. Many users are shifting towards alternative platforms despite having access to multiple services offered by Paytm. Additionally, user trust, security perception, and satisfaction levels vary significantly, influencing the frequency and purpose of usage.

Research Gap

From the above review, it is evident that:

- Most studies are descriptive and secondary-data driven, with limited primary data analysis.
- There is a lack of micro-level, city-specific studies, particularly in regions like Dharwad City.
- Existing research does not sufficiently examine the behavioural patterns, user awareness, and actual usage experience of digital financial services such as Paytm.
- Comparative and analytical studies linking demographic factors with user behaviour and satisfaction remain limited.

Justification of the Present Study

To address these gaps, the present study adopts an analytical approach using primary data, focusing on users in Dharwad City. It aims to examine not only the usage of Paytm and digital financial services but also the underlying factors influencing user behaviour, awareness, and satisfaction, thereby providing more localized and empirical insights into the digital payment ecosystem.

Objectives

- To explore the digital banking systems and financial services in Dharwad City.
- To understand customer perceptions of the Paytm digital wallet and its usage in Dharwad City.
- To assess customer trust and security concerns related to Paytm in Dharwad City.

Methodology

The present study is based on both primary and secondary data sources. Secondary data were collected from existing literature, including research articles, journals, and reports related to digital financial services, with special reference to Paytm in India, to provide a theoretical foundation for the study. However, the study predominantly relies on primary data, which were collected through a structured questionnaire designed using Google Forms. The data were gathered through virtual mode from respondents.

- **Study Area**

The study was conducted in Dharwad City, Karnataka, focusing on users of digital financial services, particularly Paytm and other similar platforms.

- **Sample Size Determination**

The sample size for the study was determined using the Yamane (1967) formula:
n = N / (1 + N(e)^2)
Where:
n = Sample size
N = Population size (85)
e = Margin of error (5% = 0.05)

Calculation:
n = 85 / (1 + 85(0.05)^2)
n = 85 / (1 + 85 × 0.0025)
n = 85 / (1 + 0.2125)
n = 85 / 1.2125
n ≈ 70

The calculated sample size is approximately 70 respondents. Therefore, a total of 70 respondents were selected for the study, which is statistically justified.

- **Sampling Method**

The study adopts a convenience sampling method, a type of non-probability sampling. Respondents were selected based on their availability, accessibility, and willingness to participate in the survey. The sample includes individuals who are aware of and use digital financial services such as Paytm, including customers of both public sector and private sector banks. This method is considered appropriate due to time constraints and ease of data collection through online platforms.

Analysis of the Data

Table 1: Distribution of Study Samples by Gender, Age, Occupation, and Educational Status

Variables	***Characteristics***	***f***	***%***
Gender	Male	34	48.6
	Female	36	51.4
	Total	**70**	**100**
Age Group	Below 18	03	04.3
	18-24	20	28.6
	25-34	40	57.1
	35-44	03	04.3
	45-54	03	04.3
	55 and above	01	01.4
	Total	**70**	**100**
Occupation	Student	48	68.6
	Employed	13	18.6
	Self-Employed	04	05.7
	Unemployed	04	05.7
	Retired	01	01.4
	Total	**70**	**100**
	Below High School	03	04.3

Education and Qualification	PUC	01	01.4
	Undergraduate Degree	02	02.9
	Postgraduate Degree	45	64.3
	Other (Specify)	19	27.14
	Total	**70**	**100**

(Source: Primary Data)

Table 1 presents the demographic characteristics of the respondents in terms of gender, age, occupation, and educational qualification. The gender distribution is almost balanced, with 51.4% females and 48.6% males, ensuring gender neutrality in responses, which strengthens the reliability of the findings. A significant majority of respondents (57.1%) belong to the 25-34 age group, followed by 28.6% in the 18-24 category. This indicates that the study is largely driven by young and digitally active individuals, who are typically early adopters of digital financial services. The negligible representation of older age groups suggests limited insights into the behaviour of senior users, which may influence the generalizability of results. From an occupational perspective, 68.6% of respondents are students. This clearly indicates that the findings are heavily influenced by a student-centric population, who are more exposed to digital platforms but may have lower transaction volumes and financial risk exposure compared to working professionals. In terms of education, 64.3% of respondents are postgraduates, indicating a highly educated sample group. This suggests that awareness and adoption levels observed in the study may be relatively higher than in the general population. The demographic composition shows that the study predominantly captures the behaviour of young, educated users, which aligns with the objective of understanding digital financial service usage but also limits the applicability of findings across diverse population groups.

Table 2: Distribution of Digital Financial Services by Variables and Respondents

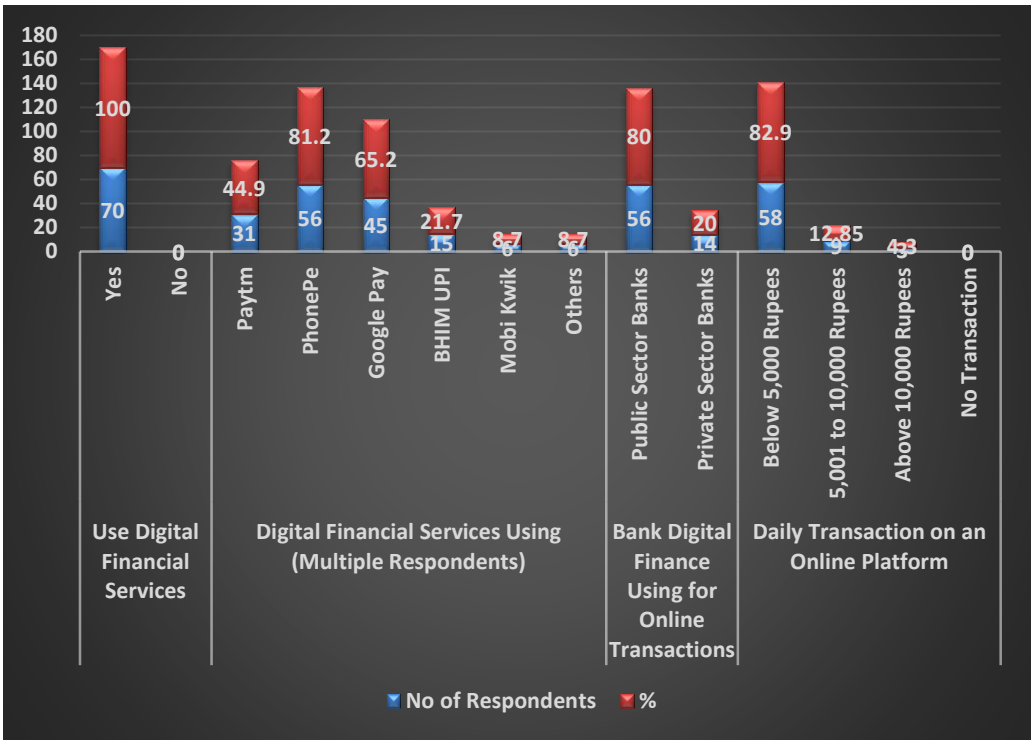
Variables	***Factors***	***No of Respondents***	***%***
Use Digital Financial Services	Yes	70	100
	No	00	00
Digital Financial Services Using (Multiple Responses)	Paytm	31	44.90
	PhonePe	56	81.20
	Google Pay	45	65.20
	BHIM UPI	15	21.70
	Mobi Kwik	06	08.70
	Others	06	08.7
Bank Digital Finance Using for Online Transactions	Public Sector Banks	56	80
	Private Sector Banks	14	20
Daily Transaction on an Online Platform	Below 5,000 Rupees	58	82.90

	5,001 to 10,000 Rupees	09	12.85
	Above 10,000 Rupees	03	04.30
	No Transaction	00	00

(Source: Primary Data)

Table 2 Presents The findings reveal that 100% of respondents use digital financial services, indicating widespread adoption within the selected sample. However, deeper analysis shows variation in platform preference. PhonePe (81.2%) and Google Pay (65.2%) dominate usage, while Paytm is used by only 44.9% of respondents. This indicates that although Paytm is a recognized platform, it lags behind competitors in actual usage, which directly relates to the study's objective of examining Paytm's position in the digital ecosystem. The preference for public sector banks (80%) over private sector banks (20%) suggests that trust in traditional banking institutions plays a significant role in supporting digital transactions. This reflects a trust-transfer phenomenon, where users rely on established banks while using digital platforms. Regarding transaction value, 82.9% of respondents conduct transactions below ₹5,000. This suggests that digital financial services are primarily used for low-value, routine transactions, indicating cautious user behaviour and limited reliance for high-value transactions. While adoption is universal, depth of usage remains limited, and Paytm faces strong competition. The findings highlight that trust and habitual usage patterns influence platform choice, aligning with the objective of understanding user behaviour in digital payments.

Graph 1: Percentage wise Distribution of Digital Financial Services by Variables and Respondents



(Source: Primary Data)

Table 3: Customer Perception of Paytm

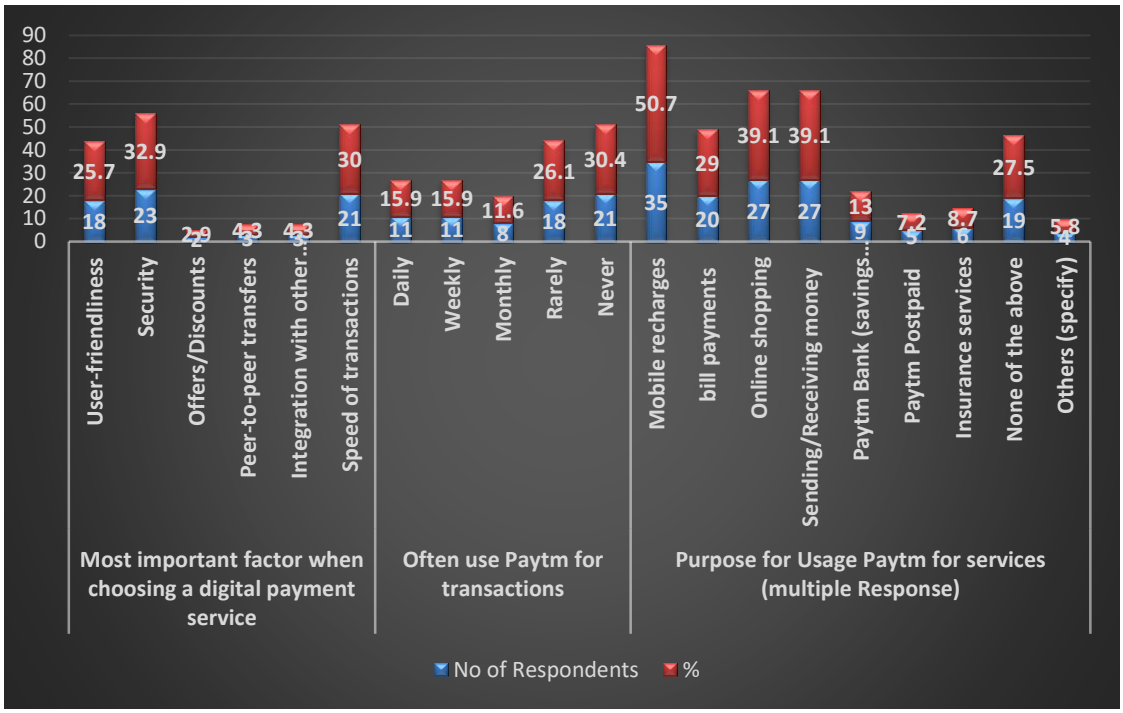
Variables	***Factors***	***No of Respondents***	***%***
Most important factor when choosing a digital payment service	User-friendliness	18	25.7
	Security	23	32.9
	Offers/Discounts	02	02.9
	Peer-to-peer transfers	03	04.3
	Integration with other services	03	04.3
	Speed of transactions	21	30
Often use Paytm for transactions	Daily	11	15.9
	Weekly	11	15.9
	Monthly	08	11.6
	Rarely	18	26.1
	Never	21	30.4
Purpose for Usage Paytm for services	Mobile recharges	35	50.7
	bill payments	20	29

(multiple Response)	Online shopping	27	39.1
	Sending/Receiving money	27	39.1
	Paytm Bank (savings accounts, FD)	09	13
	Paytm Postpaid	05	07.2
	Insurance services	06	08.7
	None of the above	19	27.5
	Others (specify)	04	05.8

(Source: Primary Data)

Table 3 Presents Security (32.9%) and transaction speed (30%) emerge as the most important factors influencing the choice of digital payment platforms, followed by user-friendliness (25.7%). This indicates that users prioritize functional efficiency and safety over promotional benefits, such as offers and discounts. Despite moderate awareness, Paytm usage frequency is relatively low: only 15.9% use it daily, while 30.4% never use it. This suggests a gap between awareness and actual adoption, which is critical to the study's objective. The primary use of Paytm is for mobile recharges (50.7%), followed by online shopping and money transfers (39.1% each). However, advanced services like Paytm Bank (13%) and Paytm Postpaid (7.2%) show significantly lower adoption. The findings indicate that Paytm is primarily used for basic services rather than as a comprehensive financial platform. The low usage frequency highlights competitive pressure and possible user preference shifts toward alternative platforms.

Graph 2: Percentage Distribution of Customer Perception of Paytm



(Source: Primary Data)

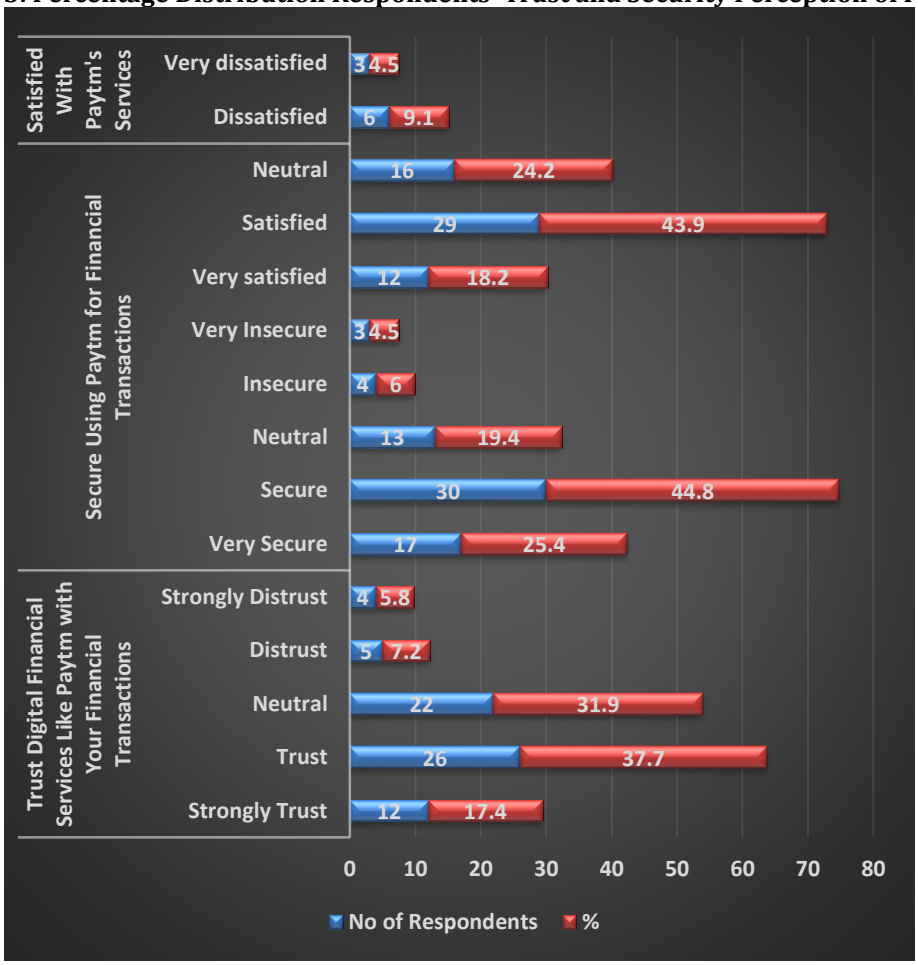
Table 4: Respondents' Trust and Security Perception of Paytm

Variables	***Factors***	***No of Respondents***	***%***
Trust Digital Financial Services Like Paytm with Your Financial Transactions	Strongly Trust	12	17.4
	Trust	26	37.7
	Neutral	22	31.9
	Distrust	05	07.2
	Strongly Distrust	04	05.8
Secure Using Paytm for Financial Transactions	Very Secure	17	25.4
	Secure	30	44.8
	Neutral	13	19.4
	Insecure	04	06
	Very Insecure	03	04.5
Satisfied With Paytm's Services	Very satisfied	12	18.2
	Satisfied	29	43.9
	Neutral	16	24.2
	Dissatisfied	06	09.1
	Very dissatisfied	03	04.5

(Source: Primary Data)

Table 4 Presents A majority of respondents' express trust in Paytm, with 37.7% indicating "trust" and 17.4% "strong trust." However, a substantial 31.9% remain neutral, indicating uncertainty or conditional trust. Similarly, 70.2% of respondents perceive Paytm as secure or very secure, yet nearly 25% remain neutral or insecure. This suggests that security perception is positive but not fully established, which may influence usage behaviour. In terms of satisfaction, 62.1% of respondents are satisfied or very satisfied, but 24.2% remain neutral. This neutrality indicates scope for improvement in user experience and service delivery. Although trust and satisfaction levels are generally positive, the presence of a large neutral segment indicates that user confidence is not fully consolidated, which may explain the lower frequency of Paytm usage observed earlier.

Graph 3: Percentage Distribution Respondents' Trust and Security Perception of Paytm



(Source: Primary Data)

Findings

- The study reveals universal adoption (100%) of digital financial services, but platform preference is uneven, with PhonePe (81.2%) and Google Pay (65.2%) dominating over Paytm (44.9%), indicating competitive disadvantage for Paytm.
- A strong reliance on public sector banks (80%) suggests that users associate digital transactions with institutional trust, supporting the idea of trust transfer from banks to digital platforms.
- The majority of users (82.9%) perform transactions below ₹5,000, indicating that digital platforms are primarily used for low-value transactions, reflecting cautious financial behaviour.
- Security (32.9%), transaction speed (30%), and user-friendliness (25.7%) are the most critical determinants of platform choice, confirming that functional efficiency outweighs promotional incentives.
- Despite awareness, Paytm shows low engagement levels, with 30.4% of respondents never using it and only 15.9% using it daily, highlighting a significant awareness–usage gap.
- Paytm is mainly used for basic services like mobile recharges (50.7%), while advanced services such as Paytm Bank (13%) and Postpaid (7.2%) show low adoption, indicating limited service diversification in practice.
- Trust levels are moderately positive (55.1% trust/strongly trust), but a large neutral segment (31.9%) suggests uncertainty and incomplete trust formation.
- While 70.2% perceive Paytm as secure, around 25% remain neutral or insecure, indicating persistent security concerns affecting usage frequency.
- Satisfaction levels are positive (62.1%), but the presence of 24.2% neutral users indicates scope for improving user experience and engagement.

Suggestions

- Paytm should focus on converting neutral users into active users by enhancing user engagement strategies, as a large proportion of respondents remain undecided in terms of trust, security, and satisfaction.
- Strengthening security awareness campaigns and transparency in fraud protection mechanisms can help address the concerns of the 25% of users who are neutral or insecure.
- Since users prioritize speed and user-friendliness, Paytm should continuously optimize its interface and transaction processing efficiency to compete with leading platforms like PhonePe and Google Pay.
- The low usage of advanced services (Paytm Bank, Postpaid) suggests a need for better promotion, simplified onboarding, and user education regarding these features.
- Paytm should design targeted strategies for young users (dominant sample group) to increase frequency of usage beyond basic services.
- Collaboration with public sector banks can be further strengthened to leverage existing trust among users.

Conclusion

The study concludes that while digital financial services are widely adopted in Dharwad City, platform preference and usage intensity vary significantly among users. Despite being a pioneer in the digital payments space, Paytm faces strong competition from PhonePe and Google Pay, as reflected in its comparatively lower usage rate (44.9%). The findings clearly indicate that user behaviour is influenced more by perceived security, transaction efficiency, and ease of use than by promotional features. Although Paytm enjoys moderate levels of trust (55.1%) and satisfaction (62.1%), the presence of a substantial neutral segment highlights incomplete user confidence and engagement. Furthermore, the dominance of low-value transactions suggests that users are still cautious in fully relying on digital platforms for high-value financial activities. The limited adoption of advanced Paytm services also indicates that the platform is not yet perceived as a comprehensive financial solution. Overall, the study demonstrates that awareness alone does not translate into usage, and bridging this gap requires improving trust, enhancing user experience, and increasing engagement. By addressing these areas, Paytm can strengthen its position in the competitive digital payment ecosystem and expand its role beyond basic transactional services.

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